Supreme Court, U.S.
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No. 05-130

IN THE

Supreme Court of the United States

eBAY, INC. and HALF.COM., INC.,

Petitioners,

v.

MERCEXCHANGE, L.L.C.,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF ELECTRONIC FRONTIER FOUNDATION, PUBLIC PATENT FOUNDATION, AMERICAN ASSOCIATION OF LAW LIBRARIES, AMERICAN LIBRARY ASSOCIATION AND SPECIAL LIBRARIES ASSOCIATION AS AMICI CURIAE IN SUPPORT OF PETITIONERS

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STATEMENT OF INTERESTS OF AMICI[1]

Electronic Frontier Foundation (EFF) is a nonprofit, membership-supported civil liberties organization working to protect consumer interests, innovation and free expression in the digital world. EFF and its over 15,000 dues-paying members have a strong interest in assisting the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest. The Federal Circuit's automatic injunction rule undermines the traditional patent bargain and may impact the exercise of free expression, both issues of critical interest to consumers. As an established advocate of consumer interests and digital rights, EFF has a perspective to share that is not represented by the parties to this appeal, neither of whom speaks directly for the interests of consumers or the public interest generally.

The Public Patent Foundation (PUBPAT) is a not-for-profit legal services organization founded in 2003 to represent the public interest in the patent system, and most particularly the public's interests against the harms caused by wrongly issued patents and unsound patent policy. PUBPAT provides the general public and specific persons or entities otherwise deprived of access to the patent system with representation, advocacy, and education. It is funded by grants from the Rockefeller Foundation, the Echoing Green Foundation, the Rudolph Steiner Foundation and the Open Society Institute as well as donations from private individuals. PUBPAT has an interest in this matter because the decision of this Court will have a significant effect on the public interest represented

1. Per Rule 37.6, amici state that no party has participated, in whole or in part, in writing or financing of this brief. Both parties have consented to the filing of this brief and copies of their letters of consent have been filed with the court.

by PUBPAT. More specifically, PUBPAT has an interest in ensuring that injunctions in patent cases be issued only after due consideration is given to the impact they will have on the public.

The American Association of Law Libraries (AALL) is a nonprofit educational organization with over 5,000 members nationwide. AALL's mission is to promote and enhance the value of law libraries to the legal and public communities, to foster the profession of law librarianship, and to provide leadership in the field of legal information and information policy. The American Library Association (ALA) is the oldest and largest library association in the world, with over 66,000 members representing school, public, and academic libraries as well as library trustees and friends-of-libraries. ALA is dedicated to the improvement of library and information services and the public's right to a free and open information society. The Special Libraries Association (SLA) is a nonprofit global organization for innovative information professionals and their strategic partners. SLA serves more than 12,000 members in 83 countries in the information profession, including corporate, academic and government information specialists. SLA promotes and strengthens its members through learning, advocacy and networking initiatives. These library associations have a longstanding interest in promoting the public objectives of the federal intellectual property system and defending the First Amendment.

SUMMARY OF ARGUMENT

The Federal Circuit Court of Appeals has overstepped its bounds and, in the process, improperly tied the hands of federal judges around the nation. The Federal Circuit's "automatic injunction" rule forces courts to ignore important equitable considerations—including those affecting free speech and other activities protected by the First Amendment. Further, the Federal Circuit's rule rejects the plain language of the United States Patent Code and the clear discretionary powers it grants, thereby depriving the courts of their historic role in furthering the aims of the patent law—to "Promote the Progress of Science and the Useful Arts." Const. Art 1 § 8. The rule must not be allowed to stand.

The Federal Circuit's rule appears to be based, in part, on a woefully impoverished vision of the public interests at stake in patent litigation. The public interest should play a central role in any injunctive relief analysis, and that role is especially important in intellectual property litigation. Instead, the court has denigrated the role of the public interest by limiting it solely to "exceptional circumstances" and then narrowly defining those "circumstances" as nothing more or less than a public health crisis. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338-39 (Fed. Cir. 2005). This is an unprecedented and unjustified truncation. While public health concerns are doubtless important in many medical and drug patent cases, courts should be encouraged to consider other public interests as well.

In particular, the automatic injunction rule offers little, if any, room for consideration of an increasingly evident public interest in patent litigation—free speech. Freedom of expression is not an absolute. It can be and has been

constrained by the rule of law, including the law of remedies. To determine the limits of that constraint, however, courts of equity *must* be free to weigh the need for injunctive relief against the potential impact such relief may have on speech and speech-related activities. This Court's jurisprudence demands nothing less.

That balancing is particularly important in internet-related patent actions. Tools such as websites and "blogging" have become increasingly popular means of expression. Video and audio streaming technology is ubiquitous. Email and Instant Messaging are essential communications media. As more and more people use software and internet technology to express themselves online, more and more speech is potentially subject to regulation by intellectual property laws that govern the use of these technologies. Patent owners who claim control over internet publishing mechanisms are in a position to threaten anyone who uses them, even for personal non-commercial purposes. Given the explosion of new communications technologies—and the simultaneous explosion of patents on those technologies—this is hardly the time to limit courts' ability to consider the benefits that a given technology brings to freedom of expression, and the concomitant chilling effects of enjoining use of that technology.

The Federal Circuit's truncated vision of the public interests at stake in patent litigation is rooted, in turn, in an all-too-common elision of the distinction between patents and other forms of real and personal property. This Court's invitation of further briefing on its holding in *Continental Paper Bag v. Eastern Paper Bag*, 210 U.S. 405 (1908), is appropriate, for the *Continental Paper Bag* majority made the same mistake. Contrary to *dicta* in both decisions, patents

are a unique form of highly circumscribed property, akin to a government subsidy, designed to achieve a specific public purpose: scientific and industrial progress. It is the province of the courts to ensure that this public purpose is not wholly subordinated to the purely commercial interests of inventors or infringers. Traditional equitable principles provide an established structure within which courts may carry out this duty. Those principles should not be abandoned in favor of an untested and unjustified mandate.

ARGUMENT

I. THE FEDERAL CIRCUIT'S AUTOMATIC INJUNCTION RULE DOES NOT PERMIT DUE CONSIDERATION OF COUNTERVAILING FREE SPEECH INTERESTS

Every day, more and more citizens are using new communications tools and software to exercise their First Amendment rights online. As a result, the internet has become a "dynamic, multifaceted category of communication [that] includes not only traditional print and news services, but also audio, video, and still images, as well as interactive, real-time dialogue. Through the use of chat rooms, any person with a phone line can become a town crier with a voice that resonates farther than it could from any soapbox. Through the use of Web pages, mail exploders, and newsgroups, the same individual can become a pamphleteer." *Reno v. Am. Civil Liberties Union*, 521 U.S. 844, 870 (1997).

At the same time, the number of patents on internet technologies has increased exponentially. Judicial decisions issuing or denying injunctions on the use of these technologies are likely to shape the future of online speech.

In particular, consideration of the third traditional equitable factor in injunctive relief analysis—the impact of the injunction on the public interest—will play an increasingly more crucial role in mediating between the Intellectual Property Clause and the First Amendment.

A. Patented Technologies Increasingly Affect Free Expression Online

Twenty years ago, it might have been possible to dismiss the public interest factor as effectively met by a prior infringement finding, absent a public health issue, because it could be assumed that the principal public interest at stake in patent litigation was the promotion of innovation through the patent system. *See, e.g., Polaroid v. Eastman Kodak*, 641 F.Supp. 828, 876 (D. Mass 1985), *denial of stay aff'd.*, 833 F.2d 930 (Fed. Cir. 1986) ("the public policy at issue in patent cases is the 'protection of rights secured by valid patents'"), quoting *Smith Int'l v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir., cert. denied 464 U.S. 996 (1983).

Yet that assumption, if it were ever correct, is clearly invalid today. Many new and pending patents "appropriate methods of communication." John R. Thomas, *Liberty and Property in the Patent Law*, 39 HOUS. L. REV. 569, 588 (2002). The United States Patent and Trademark Office has issued patents on methods for downloading video programs, publishing web pages, sending email messages, making internet telephone calls, and even online fundraising methods. Injunctions against uses of these technologies—and many similar technologies—will inevitably affect, and may even chill, free expression on the internet.

Consider, by way of example, Acacia Research's aggressive campaign to enforce its patent on the sending and receiving of streaming audio and video over the internet. U.S. Patent No. 5,132,992 ("Audio and video transmission and receiving system"); Teresa Riordan, *A Patent Owner Claims to Be Owed Royalties on Much of the Internet's Media Content*, N.Y. Times, Aug. 16, 2004, at C6; M. Hachman, *Acacia Wins Small Victory against Porn Firms*, Extreme Tech July 16, 2003, at *http://www.extremetech.com/article2/0,1558,1195937,00.asp*. This patent could cover everything from the transmission of home movies to political speeches to music—in other words, it could arguably cover much of what individuals, private corporations, political action committees, governments, etc. communicate on the internet. While any lawsuit to enforce this patent would likely be filed against a technology vendor, an injunction stemming from that suit would also affect the ability of thousands, perhaps millions, of non-party end users to communicate. "Speaking" in this way, in violation of a court injunction, would subject the speaker to contempt of court penalties, a punishment that would surely chill speech for some if not most. Courts must be allowed to consider such impacts on speech prior to issuing any injunction.

Acacia's campaign is just the tip of the iceberg. As of this writing, approximately 269 published patent applications are pending on technologies designed for use in connection with "web logs" or "blogs" i.e., internet-based publications consisting primarily of periodic short writings and images.[2] This Court

2. *See, e.g.*, U.S. Patent App. No. 20050055639 ("Relationship User Interface"); U.S. Patent App. No. 20040267887 ("System and Method for Dynamically Managing Presence and Contact Information"); U.S. Patent App. No. 20040076345 ("Method for Referencing Image Data"); U.S. Patent App. No. 20030187739 ("System and Method of Providing and Interface to the Internet"); U.S. Patent App. No. 20020156879 ("Policies for Modifying Group Membership").

has characterized the internet as a "a vast platform from which to address and hear from a world wide audience of millions of readers, viewers, researchers, and buyers." *Reno*, 521 U.S. at 853. Blogs are an increasingly popular means by which individuals ranging from teenagers to political advocates to corporate executives speak on that platform. Blog content can range from highly-personal writings to relatively neutral news reporting, and may reflect the contributions of one person or the collaboration of a large community. *See, e.g.* William F. Patry, "The Patry Copyright Blog" at *http://www.williampatry. blogspot.com* (commenting on developments in copyright law); Multiple Authors, "SCOTUSblog" at *http://www.scotus blog.com/movabletype/* (reporting and commenting on United States Supreme Court jurisprudence and politics). In the few short years of their existence, blogs have become crucial sources of expression and information. For example, in the aftermath of Hurricane Katrina, bloggers located in or near New Orleans provided timely first person accounts of the devastation. *See, e.g., Bloggers Joel and Jake Visit NOLA for Geek Aid*, September 10, 2005, at *http://www.boingboing.net/2005/09/10/katrina_bloggers_joe.html*; *Katrina: 'Rape, Murder, Beatings' in Astrodome, Say Evacuees*, September 7, 2005, at *http://www.boingboing.net/2005/09/07/katrina_rape_murder_.html*. The same outpouring of political expression has occurred via the internet regarding such topics as the War in Iraq and the 2004 national election. *See generally* Beth Potier, *How Did Internet Affect Election*, Harvard Univ. Gazette, Dec. 16, 2004, at *http://www.news.harvard.edu/gazette/2004/12.16/13-netvote.html*; Kathy Kiely, *Freewheeling 'Bloggers' Are Rewriting Rules of Journalism*, USA Today, Dec. 30, 2003, at *http://www.usatoday.com/news/politicselections/nation/2003-12-30-blogging-usat_x.htm*; *Bloggers and Journalists*, Online NewsHour,

Feb. 14, 2005, at *http://www.pbs.org/newshour/bb/media/jan-june05/blog_2-14.html*. Moreover, many weblogs enable visitors to leave public comments, which can foster the development of a community of writers centered around the blog.

If patents are issued on blogging technologies and the decision below affirmed, patent owners could threaten to shut down both bloggers and their commentators with automatic injunctions. Key news reporting could be censored. Relevant political commentary could be held hostage under the rubric of "licensing negotiations." Basic free speech values mandate that courts should consider such potential effects before issuing a permanent injunction, but the Federal Circuit's new standard offers little leeway for that consideration.

Political expression in the world of online grassroots activism may also be threatened. Consider a pending patent application that encompasses:

> A method for conducting a fundraising campaign by an organization or person over a wide-area network, comprising the steps of: hosting a website including a plurality of linked web pages, the website providing information about the fundraising campaign and soliciting potential donors to make a charitable contribution to the fundraising campaign; registering on the website; *contacting third parties via email messages soliciting charitable donations; and providing one or more reports, on the website, including information on the status of the fundraising campaign.*

"Method and system for an efficient fundraising campaign over a wide area network," U.S. Patent App. No. 764787

(emphasis added). Should the applicant succeed in obtaining this patent, it could seek injunctions against virtually every nonprofit in the nation based, in large part, on those nonprofits' expressive activity of contacting potential donors and providing issue-related information regarding those contacts. Moreover, such injunctive relief might be dangerously timed. Imagine the impact, for example, of timing one's motion to enjoin political advocates such as the Republican National Committee or Moveon.org from fundraising so that an injunction would go into effect six months before an important election. Even the American Red Cross, source of the vast majority of Katrina relief funding, could have its website shut down in the critical days or weeks after a disaster. The threat of such a result could lead these groups to pay questionable license fees to the patent holder because the damage to their First Amendment rights and/or mission while the injunction was pending appeal would be irreparable.[3] This is not the proper balance of harms and equities, especially where freedom of expression is concerned.

Further, the Federal Circuit's rule potentially threatens yet another First Amendment concern--academic freedom. Every day, more and more entities are attempting to patent online education and research tools, from methods used in distance learning to online instruction in language, music, and mathematics—including a patent on using inductive

3. eBay and numerous amici have detailed the improper leverage the Federal Circuit's new injunctive relief standard would give to patent holders. EFF and its co-signatories share their concerns and, to avoid undue repetition, incorporate their arguments by reference here.

reasoning to teach vocabulary.[4] An injunction against the use of these methods could directly impinge on academic speech and, by extension, academic freedom, long recognized as "a special concern of the First Amendment." *Keyeshian v. Bd. of Regents*, 385 U.S. 589, 603 (1967).[5] If, as this Court has declared, "Our Nation is deeply committed to safeguarding academic freedom, which is of transcendent value to all of us," *id.*, then courts must have discretion to consider whether an injunction risks violating that commitment.

Finally, injunctive relief may even hamper the public interest in critical emergency communications. Congress' public plea to legal adversaries Research in Motion, Inc. (the manufacturer of technology that forwards a user's incoming email to a handheld device—called a Blackberry—via a customer-selected wireless network) and NTP, Inc., is a case in point. The House of Representatives' chief administrative officer asked the parties to settle their dispute over the rights to the Blackberry devices because any injunction shutting down the BlackBerry service could create "a serious risk to

4. *See* U.S. Patent No. 6,513.042 ("Method for administering tests, lessons, assessments, and surveys on the Internet, scoring them, and maintaining records of test scores online"); U.S. Patent No. 5,649,826 ("Method and Device for Teaching Language"); U.S. Patent No. 6.015,947 ("Method of Teaching Music"); U.S. Patent No. 6,120,297 ("Vocabulary Acquistion [sic] Using Structure Inductive Reasoning"); U.S. Patent No. 6,155,836 ("System for Teaching Mathematics").

5. For example, Test.com has threatened several universities with lawsuits based on its patent claiming "A method of making a tests, assessments, surveys and lesson plans with images and sound files and posting them on-line for potential users." U. S. Patent No. 6,513,042; *see* Dan Carneval, *Company Claims to Own Online Testing*, Chron. Higher Ed., Mar 26, 2004, at 31.

the House's critical communications and could jeopardize the public interest, particularly in the even of an emergency." *See* Jonathan Krim, *House Makes Plea to Keep Blackberrys*, Wash. Post, Jan. 17, 2003, at E01. Perhaps recognizing the ramifications of the litigation, the district court appropriately gave due consideration to traditional equitable principles in deciding whether to grant permanent injunctive relief to NTP--as it was required to do before the Federal Circuit imposed its new and untenable standard. *NTP v. Research in Motion*, 2003 WL 23100881 at *2 (E.D. Va. 2003), *affirmed in part, vacated in part and remanded on other grounds in* 392 F.3d 1336 (Fed. Cir. 2004).

These examples are but a small sampling of visible threats to free speech that patents present, relating primarily to internet-based technologies. It is virtually certain that as new internet technologies of communication develop, the need to assess the free speech implications of patents on those technologies will grow as well. Nor is there any reason to suppose that that need will be confined to injunctions affecting internet technologies. If computer source code can be understood as expression for First Amendment purposes, *Bernstein v. U.S. Dept. of Justice*, 176 F.3d 1132 (9th Cir. 1999), injunctions preventing use of a wide range of infringing software are likely to impact free speech in ways we cannot yet anticipate. Traditional equitable principles give judges both the flexibility and the rich precedential history they will need to deal with these new challenges.

B. Consideration of The Public Interest In Free Speech Should Not Be Exceptional But Rather Routine.

Amici recognize that the Federal Circuit did leave open a tiny public interest window by holding that judges may decline to enter an injunction when the injunction frustrates "an important public need." *MercExchange*, 401 F.3d at 1338. Taken in isolation, this holding could be read simply to restate the traditional equitable principle that injunctions may be denied if the third factor (impact on the public interest) so mandates.

Unfortunately, the court went a good deal farther. First, the court effectively shifted the burden of proof to require defendants to establish the existence of an "important public need." Second, the only "important public need" that the court identified as sufficient to support denial of an injunction was "the need to use an invention to protect the public health." *Id.* Third, the court held that the growing public concern regarding the proliferation of business method patents did not qualify as an "important public need"—but failed to explain why. One valid reason for this growing public concern has been its effect on free expression online—something the Federal Circuit showed no interest in exploring or allowing any district court judge to explore. Fourth, the court took pains to stress that "the general rule" is "that court will issue permanent injunctions against patent infringement absent *exceptional circumstances.*" *Id.* at 1339 (emphasis added).

The public interest should not take a backseat in patent cases. Courts of equity have long held that the public interest is an essential and fundamental factor in injunctive relief analysis, not something to consider only in "exceptional

circumstances." As discussed in more detail below at section II.B, it is axiomatic that courts must consider the public interest in the course of exercising their equity powers, absent a specific Congressional mandate to the contrary. "[I]t is the duty of a court of equity granting injunctive relief to do so upon conditions that will protect all—including the public—whose interests the injunction may affect." *Inland Steel v. U.S.*, 306 U.S. 153, 157 (1939); *see also Meredith v. City of Winter Haven*, 320 U.S. 228, 235 (1943) ("An appeal to the equity jurisdiction conferred on federal district courts is an appeal to the sound discretion which guides the determinations of courts of equity [citation omitted]. Exercise of that discretion by those, as well as by other courts having equity powers, may require them to withhold their relief in furtherance of a recognized, defined public policy."). The Federal Circuit does not explain, much less support, its decision to reject these black-letter rules.

Moreover, the public interest should not be limited to narrow issues such as "risk to public health" but rather kept broad and flexible so that courts may consider whatever issues pertain to a particular situation and circumstance. Again, this is nothing more than black-letter law. *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944). ("The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it.").

Indeed, the Federal Circuit's narrow "exceptional circumstances" standard is particularly offensive when injunctive relief implicates free speech concerns. Courts assessing the propriety of injunctive relief in other contexts routinely consider First Amendment interests as part of the third equitable factor. This Court has held that injunctions

"carry greater risks of censorship and discriminatory application than do general ordinances" and "require a somewhat more stringent application of general First Amendment principles." *Madsen v. Women's Health Ctr.* 512 U.S. 753, 754, 764 (1994). The Federal Circuit offers no reason why the *Madsen* rule should not apply to injunctions in patent cases.

II. THE FEDERAL CIRCUIT'S AUTOMATIC INJUNCTION RULE IS INCONSISTENT WITH THE PURPOSES OF PATENT LAW, SECTION 283 AND TRADITIONAL PRINCIPLES OF EQUITABLE RELIEF IN INTELLECTUAL PROPERTY CASES

A. The Federal Circuit Has Undermined the Patent Bargain

1. Patents Are Not Like Other Property

The Federal Circuit's overreaching injunction standard stems, in part, from a misperception that patents are effectively indistinguishable from other forms of property and, therefore, subject to identical rights and remedies. That misperception may be based, in turn, on this Court's misleading observation, in *Continental Paper Bag*, 210 U.S. at 425, that "patents are property, and entitled to same rights and sanctions as other property." The Court went on to conclude that a patent owner need not practice a patented invention for a court to enjoin to others from doing so, for "it is the privilege of any owner of property to use it or not use it, without question of motive." *Id.* at 429. Or, as the Federal Circuit would put the matter almost 100 years later, "the right to exclude recognized in a patent is but the essence of the concept of property." *MercExchange*, 401 F.3d at 1338, quoting *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed. Cir. 1989).

In fact, as this Court's own opinions before and after the *Continental Paper Bag* decision have repeatedly emphasized, a patent is a unique form of property. Properly understood, it is a distinct statutorily created and limited monopoly, designed solely to encourage inventors to disclose their inventions to the public. *See generally*, *Kendall v. Windsor*, 62 U.S. 322 (1858) ("it is undeniably true that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or the community at large was another and doubtless the primary object in granting and securing that monopoly"); *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 US 503 (1917) ("this court has consistently held that the primary purpose of our patent laws is not the creation of private fortunes for owners of patents but is 'to promote the progress of science and the useful arts'"); *Mercoid Corp. v. Mid-Continent Co.*, 320 US 661, 666 (1944) (patent is a privilege "conditioned by a public purpose"); *Pfaff v. Wells Elecs. Inc.*, 525 U.S. 55, 63 (1998) ("the patent system represents a carefully crafted bargain" between the public and the inventor); Richard Posner, *Do We Have Too Many Intellectual Property Rights?*, 9 MARQ. INTELL. PROP. L. REV. 173, 175, 185 (physical property, unlike intellectual property, not limited by scope or duration, and lacking in robust concept of fair use). As Thomas Jefferson, one of the first administrators of the U.S. patent system, observed, "Inventions cannot, in nature, be the subject of property. Society may give an exclusive right to the profits arising from them . . . but this may or may not be done according to the will and convenience of society." VI Writings of Thomas Jefferson, 180-81 (Washington ed.), quoted in *Graham v. John Deere*, 383 U.S. 1, 9 n.2 (1966); *see also*, *generally*, *Wheaton v. Peters*, 33 U.S. 591, 595 (1834). Indeed, even Respondent concedes that patent rights embody nothing more

or less than a "carefully crafted bargain for encouraging the creation and disclosure of new, useful and nonobvious advances in technology and design." Resp't Br. in Opp'n to Pet for Cert., at 3, quoting *Bonito Boats Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150 (1989).

Because patents are a unique form of property designed to achieve a distinct public objective, the right to exclude others from using this property is subject to unique constraints, including: the experimental use exception and the medical testing exception, *see, e.g., Roche Prods. v. Bolar Pharm. Co.*, 733 F.2d 856, 862-63 (Fed. Cir. 1984), cert. denied, 469 U.S. 856 (1984), *superseded on other grounds by statute*, 35 U.S.C. § 271(e); *Merck KGaA v. Integra LifeSciences I Ltd.*, 125 S.Ct. 2372 (2005), and 35 U.S.C. § 271(e); patent misuse and antitrust limitations, *see, e.g., Brulotte v. Thys Co.*, 379 U.S. 985 (1965), *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1985), and 35 U.S.C. § 271(d); and prior user rights, *see, e.g.*, 35 U.S.C. § 273; *see also, generally*, Michael Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L. J. 1, 106-125 (2004). These limits are designed to ensure that the public receives the full benefits of the patent bargain. Thus, while patent rights, like other forms of property, include the right to exclude, that right is not, and has never been, an absolute right.[6]

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6. Moreover, even if patents *were* like other property, a patent right would not amount to an absolute right to exclude. *See* Carrier, *supra*, at 50-76 (describing limits on property rights, including limits on the right to exclude such as: easements, capture, and bona fide purchaser rights).

The distinction matters. Legal scholars have noted that the increasing "propertization" of intellectual property "instead of stimulating invention . . . can actually undermine the economic goals that underlie intellectual property laws." Posner, *supra*, at 185. For this reason, among others, *Continental Paper Bag* was subject to scathing criticism for its improper characterization of patent rights by three dissenting justices in *Special Equipment Co. v. Coe*, 324 U.S. 370 (1945) (Douglas, J., Murphy, J., and Black, J., dissenting). In that case, the majority followed *Continental Paper Bag* and reversed a lower court holding denying a patent to an applicant that did not use or intend to use the subcombination that was the subject of the application, but rather sought the patent solely to prevent others from appropriating a subcombination that was an "essential part" of a distinct patented machine which the patentee *did* use. *Id.* at 378-79.[7]

The dissenting justices used the case as an opportunity to challenge the underlying premises of *Continental Paper Bag* and to point to the deleterious effects that can result when courts lose sight the "public benefit" side of the patent bargain. Writing for Justices Murphy and Black, Justice Douglas characterized the use of patents to suppress inventions as "inconsistent with the Constitution and the patent legislation which Congress has enacted." *Id.* at 381. A patent, he argued, is not just "another form of private property," but rather "a privilege 'conditioned by a public purpose.'" *Id.* at 382, quoting *Mercoid Corp.*, 320 U.S. at 666. *Continental Paper Bag's* "radical departure from that

7. Though the Court was careful to note that there was no record that the applicant did not intend to use the subcombination at all; the applicant did in fact use the subcombination as part of another machine. *Id.* at 375-76.

theory," *i.e.*, its treatment of the "'exclusive' right of the inventor as something akin to an 'absolute' right," improperly subordinated that public purpose to the "self-interest of the patentee." *Id.* The result had been that the suppression of patents had become commonplace, "creating a clog to our economic machine and a barrier to an economy of abundance." *Id.* at 383. The Supreme Court was obliged, Justice Douglas concluded, to remove the "private perquisites" which it had itself "engrafted onto the patent laws." *Id.*

By treating injunctive relief as the right of the prevailing party in virtually every circumstance, the Federal Circuit has taken *Continental Paper Bag*'s "radical departure" one step further. Even in *Continental Paper Bag*, the Court was careful to state that it was disputable that "rights of the public [understood as public interests] were involved," observing that the record presented "no question of diminished supply or of increase of prices." 210 U.S. at 429. The Court thus had no opportunity to consider, much less to announce a clear rule, regarding injunctive relief when public interests in the uses themselves were at issue, such as access to medicine, communications technologies, etc. Indeed, while it found that the public interest did not require that an inventor work the patent to maintain its rights in that patent, it expressly declined to decide whether "a case cannot arise where, regarding the situation of the parties in view of the public interest, a court in equity might be justified in withholding relief by injunction. . . ." *Id.* at 430. Similarly, in *Special Equipment*, the majority declined to address the question of "whether the courts on equitable principles should decline to enjoin patent infringements . . . if and when it appears that the patentee or inventor intends to make no use of the invention." *Special Equipment*, 324 U.S. at 379.

The Federal Circuit had no such scruples. Under the Federal Circuit's analysis, once a defendant has been found to infringe a valid patent, a court in equity cannot be justified in withholding an injunction in view of the public interest, unless an injunction would result in a public health crisis. *MercExchange*, 401 F.3d at 1338-39. Such a rule would do precisely what Justice Douglas feared: encourage courts and parties to lose sight entirely of the broader public purpose of the patent grant. Thus, in the name of upholding the "concept of property," *id.* at 1338, the Federal Circuit has ripped the concept of *intellectual* property from its Constitutional moorings. This Court should reaffirm those moorings to ensure that the public continues to receive the benefit of its bargain with inventors.

B. The Federal Circuit Has Ignored An Express Legislative Mandate

Beyond abandoning this Court's historical jurisprudence and sane patent policy, the Federal Circuit also ignored the express mandate of the Patent Act. The Patent Act permits a court to "grant injunctions *in accordance with the principles of equity* . . . on such terms as the court deems reasonable." 35 U.S.C. § 283. Congress began drafting the modern Patent Act in 1950, just a few years after *Special Equipment*. If the legislature had intended to limit judicial discretion in infringement cases—limits this Court expressly declined to impose itself in both *Continental Paper Bag* and *Special Equipment*—it knew how to do so. *See, e.g.*, Investment Company Act of 1940, 54 Stat. 842, 15 U.S.C.A. § 80a-41 ("Upon a showing that such person has engaged or is about to engage in any such act or practice, a permanent or temporary injunction or decree or restraining order *shall* be granted without bond.") (emphasis added); Investment

Advisers Act of 1940, 54 Stat. 853, 15 U.S.C. § 80b-9, 15 U.S.C.A. § 80b-9 ("Upon a showing that such person has engaged or is about to engage in any such act or practice, or in aiding, abetting, counseling, commanding, inducing, or procuring any such act or practice, a permanent or temporary injunction or decree or restraining order *shall* be granted without bond.") (emphasis added).

As the Federal Circuit itself has admitted, nothing in the Patent Act suggests that "once infringement is established and adjudicated, an injunction must follow." *Roche Prods.*, 733 F.2d at 866, *as recognized in W.L. Gore & Assoc.*, 977 F.2d 558 (Fed. Cir. 1992) (observing that "if Congress wants the federal courts to issue injunctions without regard to historic equity principles, it is going to have to say so in explicit and even shameless language. . . .").

Instead, Congress enacted a remedies provision that recognizes the courts' duty to ensure that the traditional patent bargain is being met. Under the Act, a court in equity is expressly empowered, indeed *required*, to consider traditional equitable principles, including the public interest, prior to issuing an injunction in any patent dispute. This legislative authorization is crucial, for once a patent is issued and found valid, no other entity is well-positioned to enforce the public interest. Both patentee and infringer are likely to be guided primarily by self-interest, while third party advocates are likely to lack standing.

Absent a plain legislative mandate, no court should lightly abandon its duty to consider the traditional equitable principles that have "made equity the instrument for nice adjustment and reconciliation between the public interest and private needs as well as between competing private claims."

Hecht Co., 321 U.S. at 329-30 (1944). Simply put, "permitting courts to consider equitable principles in deciding whether to grant injunctions was what Congress intended in writing the 1952 Patent Act; it's just that the Federal Circuit has strayed from the statutory language." M. A. Lemley, Patent Reform Legislation, Testimony before the Senate Committee on the Judiciary, June 14, 2005, at *http://judiciary.senate.gov/testimony.cfm?id=1535&wit_id=4352*. This Court should pull the Federal Circuit back in line with its legislative mandate.

C. The Automatic Injunction Rule Dramatically Departs From Intellectual Property Remedies Doctrine.

The Federal Circuit also strays from relevant intellectual property jurisprudence. Court after court—including the Federal Circuit itself—has followed Congress' mandate and interpreted Section 283 to require the application of traditional equitable principles in patent cases. *See, e.g., Odetics v. Storage Tech. Co.*, 14 F. Supp. 2d 785, 788 (E.D. Va. 1999), *aff'd*, 185 F.3d. 1259 (Fed. Cir. 1999); *NTP*, 2003 WL 23100881 at *2; *B & H Mfg. Inc. v. Owens-Illinois Glass Container Inc.*, 22 U.S.P.Q.2d 1551, 1552 (N.D.Ga. 1991); *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 711 F.Supp. 1205, 1227 (D.Del. 1989). These courts have recognized that while permanent injunctions may be the "general rule" in patent cases, judges may not shirk their obligation to consider the equities of the particular case before them.

Copyright and trademark cases interpreting analogous statutes reflect the same pattern. While courts acknowledge a general rule favoring injunctive relief in both arenas, no

court has read the "general rule" to deprive judges of the authority to exercise their discretion. With respect to trademark, the Lanham Act provides that courts may "grant injunctions *according to principles of equity* and upon such terms as the court may deem reasonable." Lanham Act § 34, 15 U.S.C. § 1116 (emphasis added). Courts have reasonably interpreted that statute to require consideration of the traditional equitable principles prior to the issuance of a permanent injunction. *See, e.g., Shields v. Zuccarini*, 254 F.3d 476, 486 (3d. Cir. 2001) (applying traditional equitable principles to injunction analysis); *see also CFM Majestic, Inc. v. NHC, Inc.*, 93 F.Supp.2d 942, 958-59 (N.D. Ind. 2000) (same); *Partido Revolucionario Dominicano (PRD) Seccional Metropolitana de Washington-DC, Maryland y Virginia v. "Partido Revolucionario Dominicano, Seccional de Maryland y Virginia,"* 312 F.Supp.2d 1, 10 (D.D.C. 2004) (same).

Courts exercise similar discretion in copyright cases, even though the Copyright Act, unlike the Patent Act, does not specifically require consideration of traditional equitable principles but rather authorizes "final injunctions on such terms as [courts] may deem reasonable." 17 U.S.C. § 502(a). Despite this broad authorization, "final injunctive relief is not automatic." Paul Goldstein, *Goldstein on Copyright* § 13.2.1.1 (3d Ed. 2005); *see also, e.g., New York Times Co. v. Tasini*, 533 U.S. 483, 505 (2001) ("it hardly follows from today's decision [finding infringement] that an injunction . . . must issue"); *Dun v. Lumberman's Credit Assoc.*, 209 U.S. 20, 23 (1908) (declining to issue injunction where "an injunction would be unconscionable."); *Taylor Corp. v. Four Seasons Greetings L.L.C.*, 403 F.3d 958, 967 (8th Cir. 2005) (propriety of a permanent injunction depended on balancing of harms); *New Era Pubs. Int'l, APS v. Henry Holt*

Co., 884 F.2d 659, 661 (2nd Cir. 1989) (Miner, J., concurring) ("equitable considerations are always germane to the determination of whether an injunction is appropriate."); *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988) (finding "special circumstances" that would cause "great injustice" to defendants and "public injury" were injunction to issue), *aff'd sub nom. Stewart v. Abend*, 495 U.S. 207 (1990).

Moreover, copyright jurisprudence explicitly acknowledges what the Federal Circuit has forgotten: the "nice adjustment" between public and private interests that consideration of the equities requires is crucial in the intellectual property law context. In *Campbell v. Acuff-Rose Music*, for example, this Court observed that "courts may also wish to bear in mind that the goals of the copyright law, 'to stimulate the creation and publication of edifying matter,' [citation omitted] are not always best served by automatically granting injunctive relief when parodists are found to have gone beyond the bounds of fair use." 510 U.S. 569, 578 n10 (1994), quoting P. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105, 1134 (1990) (in cases "raising reasonable contentions of fair use . . . there may be a strong public interest in the publication of the secondary work [and] the copyright owner's interest may be adequately protected by an award of damages for whatever infringement is found").

This Court should ensure that the public interest is not forgotten in patent litigation by rejecting the Federal Circuit's radical and unnecessary departure from the traditional injunction test and reaffirming consideration of the public interest as a routine and essential step in the exercise of judicial discretion.

CONCLUSION

The Federal Circuit's effort to calcify a "general rule" into a mandate that improperly diminishes the public interest in patent remedies analysis, deprives judges of their statutorily mandated discretion and distorts the basic purposes of patent law. This Court should reverse the Federal Circuit's misguided decision, confirm the traditional standard for patent injunctions and restore judges' ability to take full account of the myriad public interests at stake in patent litigation.

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